

CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION
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**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA
SACRAMENTO**

In the Matter of the Certificate of
Authority of:

**ANTHEM BLUE CROSS LIFE AND
HEALTH INSURANCE COMPANY**

Respondent.

File No. OSC- 2008-00014

STIPULATION AND WAIVER

Respondent, ANTHEM BLUE CROSS LIFE AND HEALTH INSURANCE COMPANY,
formerly known as BC LIFE & HEALTH INSURANCE COMPANY (“ANTHEM”) and the
California Department of Insurance (“Department”), stipulate as set forth herein:

1. Respondent, ANTHEM, holds a Certificate of Authority to transact the business of
life and disability insurance in the State of California, pursuant to §700 et seq. of the California
Insurance Code.¹

2. Respondent, ANTHEM, is a California corporation and a wholly-owned subsidiary
of WellPoint Inc.

3. On or about May 6, 2006, the Department commenced a Market Conduct
examination of ANTHEM’S claims practices and procedures in California during the period of

¹ Unless otherwise stated, all references are to the California Insurance Code.

1 January 1, 2004 through February 28, 2006. The examination reviewed claims files and related
2 records involving Group and Individual Preferred Provider Organization products and examined
3 guidelines, policies and procedures, training plans and forms adopted by ANTHEM for use in
4 California to determine whether ANTHEM'S denial of claims and claims handling practices
5 conformed to contractual obligations and applicable law.

6 4. The Department also conducted a targeted Market Conduct examination focusing
7 on ANTHEM'S rescission practices during the period from January 1, 2004 through February 28,
8 2006. The examination reviewed underwriting and rescission files and related records involving
9 Individual and Family Plan health insurance products to determine whether ANTHEM'S
10 rescission practices and related claims settlement practices conformed to contractual obligations
11 and applicable law.

12 5. The Department issued a Revised Public Report of the Market Conduct
13 Examination of the Claims Practices of ANTHEM dated July 19, 2007 that identified instances in
14 which the Department alleged that ANTHEM did not comply with California Insurance Code
15 §790.03 and the Fair Claims Settlement Practices Regulations contained in Title 10, Chapter 5,
16 Subchapter 7.5 of the California Code of Regulations, commencing with §2695.1.

17 6. The Department also issued a Report of the Market Conduct Examination of the
18 claims practices of ANTHEM pursuant to Section 735.5. dated May 4, 2007 that identified
19 instances in which the Department alleged that ANTHEM did not comply with provisions of the
20 Insurance Code other than §790.03 and the Fair Claims Settlement Practices Regulations.

21 7. In the Market Conduct Reports in which a sample of the 1800 rescissions during
22 the review period were examined, and in its investigation of consumer complaints received since
23 January 1, 2004, the Department cited ANTHEM for alleged violations of provisions of the
24 California Insurance Code and applicable law in ANTHEM'S rescission practices and related
25 claims settlement practices.

26 8. On or about February 9, 2009, the Department served ANTHEM with an Order to
27 Show Cause, Accusation/ Statement of Charges ("Accusation") "In the Matter of the Certificate
28 of Authority of ANTHEM, Respondent," File No.OSC-2008-00014. Said Accusation alleged that

1 ANTHEM engaged in acts or practices in violation of California Insurance Code §§790.03,
2 700(c), 704(b), 796.04, 10380, 10382 and 10384. The allegations were based on the findings of
3 the Market Conduct Reports referenced in paragraphs 5 and 6.

4 9. ANTHEM and the Department have undertaken discussions to resolve the issues
5 in this proceeding and now wish to resolve those issues without the need for a hearing or further
6 administrative action. The parties mutually agree to enter into this Stipulation and Waiver and
7 agree that the resolution embodied in this Stipulation and Waiver is made in good faith.

8 Therefore, by this Stipulation and Waiver, ANTHEM waives any and all rights to a hearing in
9 this matter, and any and all other rights related to this proceeding which may be accorded
10 pursuant to Chapter 5, Part 1, Division 3, Title 2 (commencing with §11500) of the California
11 Government Code, and by the California Insurance Code.

12 10. This Stipulation and Waiver does not constitute an admission by ANTHEM of
13 liability, violation, wrongdoing, or improper conduct.

14 11. ANTHEM agrees to and shall immediately cease and desist from knowingly
15 engaging in any acts or practices in the business of life and disability insurance in violation of
16 California Insurance Code §§790.03, 700(c), 704(b), 796.04, 10113, 10380, 10381.5, 10382, and
17 10384.

18 12. ANTHEM agrees to make funds available for the purpose of payment of
19 Reimbursable Expenses to FORMER INSUREDS, as defined by and pursuant to the terms set
20 forth in this Stipulation and Waiver.

21 13. ANTHEM agrees to and shall pay a monetary penalty in the amount of one million
22 dollars (\$1,000,000.00) within twenty (20) business days after receipt of an invoice from the
23 Department pursuant to California Insurance Code Sections 790.035 and 12976 upon Order of the
24 Insurance Commissioner.

25 14. This Stipulation and Waiver contains offers for FORMER INSUREDS including
26 an Offer of New Coverage and an Offer to Reimburse Medical Expenses both of which are
27 subject to the express terms and conditions outlined herein. A FORMER INSURED is defined as
28 any individual whose health insurance policy was rescinded by ANTHEM between January 1,

1 2004 and December 31, 2008, and who has not already resolved their dispute with ANTHEM
2 about such rescission pursuant to a judicial judgment, arbitration award, prior reinstatement or
3 letter of agreement or settlement agreement. ANTHEM estimates it rescinded health insurance
4 coverage for approximately 2330 individuals between January 1, 2004 and December 31, 2008.
5 ANTHEM will send a Notice (hereafter "THE NOTICE") to every FORMER INSURED which
6 shall extend the Offer of New Coverage and the Offer to Reimburse Medical Expenses as defined
7 herein. THE NOTICE will be in a form and content approved by the DEPARTMENT.

8 15. Except as otherwise expressly set forth herein and based entirely on the individual
9 choices made by a FORMER INSURED, nothing in this Stipulation and Waiver limits a
10 FORMER INSURED'S right to pursue any available legal remedies. This Stipulation and
11 Waiver and the subsequent Order issued by the Commissioner pursuant to this Stipulation and
12 Waiver provides FORMER INSUREDS, as defined above with a set of options designed to
13 expedite the resolution of any potential claims related to the rescission of the FORMER
14 INSURED'S health insurance policy by the Company, including claims for past out-of-pocket
15 medical expenses. Each FORMER INSURED is free to choose among the options made
16 available by the Commissioner's Order or is free to decline to participate.

17 16. Several Class and Representative Actions (collectively, "Class Actions") are
18 currently pending in the Superior Court of the State of California, County of Los Angeles,
19 deemed related and before the Honorable Judge Anthony Mohr. The FORMER INSUREDS are
20 members of the proposed class of former COMPANY insureds whose health care coverage was
21 rescinded, and may be members of the group of consumers on whose behalf the Los Angeles City
22 Attorney's Office is seeking relief in the Representative action.

23 17. If a FORMER INSURED decides to accept Reimbursement of Medical Expenses
24 as offered herein, the FORMER INSURED will give up his/her right to participate in any
25 recovery that might become available in the Class Actions in the future. A FORMER INSURED
26 may accept the Offer of New Coverage contained herein without waiving any legal rights he or
27 she may have, including the right to participate in the Class Actions. THE NOTICE will advise
28 the FORMER INSUREDS of the pendency of the Class Actions, and that they will be waiving

1 any and all rights that they may have in the Class Actions in the event they decide to accept
2 reimbursement of Reimbursable Expenses.

3 **OFFER OF COVERAGE**

4 18. ANTHEM agrees to and shall offer, on a voluntary basis, to each FORMER
5 INSURED, the right to purchase a health insurance policy providing coverage going forward
6 (“New Coverage Offer”). That coverage shall be subject to the following terms, conditions, and
7 restrictions:

- 8 a. The New Coverage Offer will not require medical underwriting.
- 9 b. The New Coverage Offer will waive exclusions for pre-existing conditions.
- 10 c. The New Coverage Offer will be for the same or similar policy as the
11 FORMER INSURED’S rescinded policy based on policies currently being
12 offered to the general public by ANTHEM.
- 13 d. The New Coverage Offer is for a new policy. All co-pays and deductibles will
14 apply.
- 15 e. The New Coverage Offer will not be made to FORMER INSUREDS who have
16 already been reinstated or have current coverage with ANTHEM or its affiliate
17 Anthem Blue Cross.
- 18 f. The New Coverage Offer will not be made to individuals who (i) filed lawsuits
19 asserting claims arising out of the rescission of the individuals’ health
20 insurance policy which have been subject to a ruling on their merits by a court,
21 or (ii) have entered into or are otherwise bound by a settlement with ANTHEM
22 regarding claims arising from rescission of the FORMER INSURED’S health
23 insurance policy.
- 24 g. The New Coverage Offer will be open for a ninety (90) day period from the
25 confirmed date of delivery of THE NOTICE of the New Coverage Offer,
26 referred to in paragraph 14.
- 27 h. Notwithstanding subsection (g) above, the New Coverage Offer will be open to
28 FORMER INSUREDS who did not receive THE NOTICE despite
commercially reasonable search efforts, if acceptance of the offer by a
FORMER INSURED is received by ANTHEM within 180 days of the Order
of the Commissioner pursuant to this Stipulation and Waiver.
- i. The New Coverage Offer, and continuation of such coverage, is conditioned on
each FORMER INSURED meeting all non medical underwriting eligibility
requirements including, by way of example and not limitation, residence in
California, cancellation of any other current coverage (if applicable), age limits

1 for insureds and dependents, non eligibility for Medicare, and payment of the
2 applicable premiums going forward.

- 3 j. The effective date of health coverage under the New Coverage Offer will be
4 the first day of the month following ANTHEM'S receipt of a FORMER
5 INSURED'S first month premium.
- 6 k. ANTHEM will not require FORMER INSUREDS who accept the New
7 Coverage Offer to execute a release of claims against ANTHEM as a condition
8 of acceptance.

9 **OFFER OF REIMBURSEMENT OF MEDICAL EXPENSES**

10 19. ANTHEM agrees to and shall reimburse out-of-pocket medical expenses, as
11 defined below, which would have been paid pursuant to the terms of the FORMER INSUREDS'
12 health insurance policies, were it not for the rescissions of those policies. Subject to the
13 conditions and limitations set forth in this paragraph, ANTHEM agrees to and shall offer, on a
14 voluntary basis, to reimburse each FORMER INSURED for those medical expenses described
15 herein. Reimbursable Expenses do not include any applicable co-payments, coinsurance,
16 deductible amounts or any other expense that would have been the responsibility of the FORMER
17 INSURED under the terms of the rescinded policy.

- 18 a. Reimbursable medical expenses ("Reimbursable Expenses") under this
19 Stipulation and Waiver are defined as expenses:

- 20 1) that are documented paid out-of-pocket medical expenses or medical
21 expenses including those that were incurred and are owed but not yet
22 paid by the FORMER INSURED;
- 23 2) for medically necessary medical services;
- 24 3) for medical services that were provided to the FORMER INSURED
25 during the Settlement Period as defined in subsection (b) below;
- 26 4) which would have been covered under the terms of the FORMER
27 INSURED'S rescinded ANTHEM health insurance policy;
- 28 5) which have not been covered or reimbursed by any third party payer
entity, health care service plan, insurance contract (including, but not
limited to, any applicable disability, workers' compensation, group,
individual, or employer self-funded coverage), or from the proceeds of
any judgment or settlement; and,

1
2 6) which have not been waived, released, discharged, barred, settled
3 (specifically including hospital expenses that may have been resolved
4 pursuant to a settlement between ANTHEM and certain hospitals) or
5 otherwise no longer collectible by the medical provider at issue
6 (including the medical provider's agents and assigns); except that an
owed but not yet paid medical expense may include amounts which
have been subject to any attempt at collection within the preceding 180
days of the date of the Commissioner's Order.

- 7 b. ANTHEM agrees to pay Reimbursable Expenses incurred during the
8 Settlement Period which runs from the effective date of the original rescinded
health insurance policy to the confirmed date of delivery of THE NOTICE.
- 9 c. This offer of reimbursement of medical expenses shall remain open for one
10 hundred and eighty (180) days from the confirmed date of delivery of THE
11 NOTICE. This offer will be open to FORMER INSUREDS who did not
12 receive THE NOTICE despite commercially reasonable search efforts, if
13 acceptance of the offer by a FORMER INSURED is received by ANTHEM
within 180 days of the Order of the Commissioner pursuant to this Stipulation
and Waiver.
- 14 d. This offer of reimbursement of medical expenses is an option that is in addition
15 to, and separate from, ANTHEM'S New Coverage Offer as described in
16 paragraph 18 above. ANTHEM will not require a FORMER INSURED to
accept the New Coverage Offer in order to accept the offer of reimbursement
of medical expenses, or vice versa.
- 17 e. Any claim for Reimbursable Expenses shall be subject to reasonable
18 documentation requirements.
- 19 f. ANTHEM'S payment of Reimbursable expenses is conditioned upon a
20 settlement and full release by the FORMER INSURED of all disputes and
21 claims arising from the rescission of the FORMER INSURED'S health
insurance policy.
- 22 g. When a FORMER INSURED submits a written request for reimbursement of
23 medical expenses, which shall include reasonable documentation supporting
24 the request, ANTHEM will either agree to reimburse all applicable medical
expenses within sixty calendar (60) days of receiving the request, or dispute
the request on the basis of:
- 25 1) medical necessity, or
26 2) the scope of coverage, or
27 3) the amount of the reimbursement request, including whether the
28 requested amounts are live debts.

- 1
- 2 h. ANTHEM agrees not to assert the validity of the rescission as a defense.
- 3 i. ANTHEM may require authorization from FORMER INSUREDS for the
- 4 release of medical records and bills, as well as other information reasonably
- 5 necessary to verify the reimbursement request, obtained at ANTHEM'S cost.
- 6 j. If a FORMER INSURED disputes ANTHEM'S determination as to the
- 7 amount of Reimbursable Expenses, the FORMER INSURED has various
- 8 options to exercise in his or her sole discretion, as described below:
- 9
- 10 1) A FORMER INSURED may decline to follow any process set forth in
- 11 this Stipulation and Waiver and may pursue any legal remedy for any
- 12 and all claims, in which event ANTHEM retains the right to assert any
- 13 and all defenses to any claim, including but not limited to, the validity
- 14 of the rescission, statute of limitations and whether the claim would
- 15 have been covered under the rescinded health insurance policy; or
- 16
- 17 2) If the dispute involves the question of medical necessity of a health
- 18 care service, the FORMER INSURED has the option to refer the
- 19 medical necessity question to the Department's Independent Medical
- 20 Review Organization for review, pursuant to California Insurance Code
- 21 §§10169.2-10169.3. Any Independent Medical Review shall be paid
- 22 by ANTHEM and shall be binding on the parties; and,
- 23
- 24 3) If the dispute involves ANTHEM'S determination of the scope of
- 25 coverage and/or the amount of Reimbursable Expenses, the FORMER
- 26 INSURED has the option to resolve the dispute through an expedited
- 27 proceeding that shall be conducted by a JAMS arbitrator, subject to the
- 28 rules described herein, except that the only issues to be determined
- shall be those listed in this subparagraph during the relevant period.
- The proceeding shall be subject to the following rules:
- i. ANTHEM shall not assert the validity of the rescission as a
- defense;
- ii. The arbitration proceeding shall be on the basis of a written
- record without personal appearance of any party. The record
- shall consist of a statement by both parties, and their evidence
- addressing the appropriate amount of medical expenses
- reimbursable under the terms of this Stipulation and Waiver or
- the scope of coverage. Both parties shall have the right to
- submit additional written statements and materials following
- review of the materials submitted by the other party. No
- discovery shall be permitted, except that ANTHEM may obtain
- the FORMER INSURED'S medical records and bills at
- ANTHEM'S effort and expense;

- iii. ANTHEM shall pay the cost of the arbitrator;
- iv. Any award shall be based on Reimbursable Expenses and/or the issues subject to arbitration under the terms of this Stipulation and Waiver, and will be final and binding for both parties and conditioned upon a settlement and full and complete release of all disputes and claims arising from the rescission of the FORMER INSURED'S original health insurance policy;
- v. In the event that an award is based upon Reimbursable Expenses owed by a FORMER INSURED that have not yet been paid to the provider, the arbitration decision shall provide that ANTHEM, in its sole discretion, has the right to resolve any such unpaid medical expenses directly with the billing provider in which event ANTHEM shall hold the FORMER INSURED harmless from any such unpaid medical expenses and deduct the amount owed by the FORMER INSURED from the award. In the event ANTHEM resolves any unpaid medical expenses directly with the billing provider and holds the FORMER INSURED harmless from any such unpaid medical expenses, such action shall satisfy fully ANTHEM'S obligation under this Stipulation and Waiver to reimburse the FORMER INSURED for such unpaid Reimbursable Expenses owed by the FORMER INSURED to such provider; and,
- vi. The arbitrator shall be selected randomly by JAMS from a qualified healthcare panel of arbitrators. The FORMER INSURED shall have the right to reject the randomly selected arbitrator within fifteen (15) days of notice of selection by JAMS. Should the FORMER INSURED reject the selected arbitrator, JAMS will send a list containing five (5) arbitrators. ANTHEM and the FORMER INSURED each may strike up to two names and rank the remaining arbitrators in order of preference. The arbitrator with the highest composite ranking will be appointed. Such arbitrators shall follow the terms of the FORMER INSURED'S rescinded health insurance policy and applicable California law, including the California Insurance Code and implementing regulations, and shall periodically consult with each other to ensure consistency in decision-making. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures, subject to the modifications in this Stipulation and Waiver.

20. ANTHEM shall report to the Department, on a monthly basis, beginning ninety (90) days after the date of the Order adopting this Stipulation and Waiver, the following

1 information: the name, last known address, last known telephone number (if available), and
2 policy number of each FORMER INSURED as described herein. Each monthly report shall also
3 contain a summary of the number of FORMER INSUREDS who accepted the offer of New
4 Coverage and the number of FORMER INSUREDS who did not accept the offer of New
5 Coverage; and the number of FORMER INSUREDS who accepted the offer to reimburse
6 Reimbursable Expenses and the total dollar amount of Reimbursable Expenses subject to this
7 Stipulation and Waiver and the date of the expected payment of such Reimbursable Expenses
8 and/or the actual date of payment of such Reimbursable Expenses; and the number of FORMER
9 INSUREDS who submitted a request for Reimbursable Expenses for whom ANTHEM disputed
10 such request and the reason(s) for the dispute (medical necessity and/or scope of coverage and/or
11 amount of Reimbursable Expenses); and the number of arbitrations for Reimbursable Expenses
12 and the total dollar amount of arbitration awards as an outcome of such proceedings.

13 21. ANTHEM shall use commercially reasonable efforts to contact eligible FORMER
14 INSUREDS to make the voluntary offers set forth herein, commencing no later than ninety (90)
15 days from the date of the Order adopting this Stipulation and Waiver. Commercially reasonable
16 efforts to contact eligible FORMER INSUREDS shall consist of notification of the voluntary
17 offers by overnight or certified mail or private delivery service with confirmation of delivery to
18 the last known address, and the use of an independent search service to locate the current address
19 of FORMER INSUREDS, if ANTHEM'S last known address for each FORMER INSURED is
20 no longer accurate. ANTHEM shall also post THE NOTICE and publish information regarding
21 the settlement, and its specific terms on ANTHEM'S web site.

22 22. ANTHEM shall exercise commercially reasonable efforts to issue and send
23 payment for reimbursement of Reimbursable Expenses to FORMER INSUREDS who accept the
24 voluntary offer described in paragraph 19 herein within thirty (30) days of the date of the final
25 resolution of the FORMER INSURED'S request for reimbursement of Reimbursable Expenses,
26 and shall complete the offer to reimburse and payment of Reimbursable Expenses as soon as is
27 reasonably possible, and in no event later than thirty (30) days following an award in the
28 FORMER INSURED'S favor.

1 23. ANTHEM has established, and shall continue to maintain the following business
2 process practices:

- 3 a. Use of an independent third party review process for rescissions of individual
4 health insurance policies. In the event that one or more statutes are enacted
5 and become effective that establish an independent review process for
6 rescissions of individual health insurance policies by California insurers,
7 ANTHEM'S obligations under this section shall cease and ANTHEM shall
8 comply with such statute or statutes. Nothing in this section shall obligate
9 ANTHEM to commit any action or inaction that would be contrary to
10 applicable law.
11 b. Use of at least one source of information other than the application for
12 coverage as part of its pre-issuance underwriting process prior to issuing the
13 policy including but not limited to review of ANTHEM'S internal claim
14 databases, a commercial pharmacy database, and other external sources of
15 information.

16 24. ANTHEM agrees to submit a corrective action proposal to the Department within
17 thirty (30) days of the date of the Order adopting this Stipulation and Waiver and to work with the
18 Department to establish appropriate criteria for such corrective actions, and once the criteria are
19 approved by the Department, to timely implement such corrective actions. ANTHEM agrees to
20 and shall complete implementation of such corrective actions within one hundred twenty (120)
21 days of the date the Department approves, in writing, the proposal for such corrective actions.
22 The corrective action proposal shall cover the following areas:

- 23 a. the application form and health history questionnaire;
24 b. the underwriting process;
25 c. the training and integration of agent/broker involvement in the
26 application and underwriting process;
27 d. the appropriate notification to policyholders and providers of a
28 rescission investigation and decision;
 e. the claims handling process related to rescissions;
 f. the rescission investigation and decision-making process including
 timeframes;
 g. the rescission appeals process,

- h. internal audits of the rescission process; and,
- i. internal audits of the claims handling process.

25. ANTHEM acknowledges that the Department will conduct a follow-up examination to verify that ANTHEM has timely and substantially complied with the terms of the corrective action proposal and complied with all applicable insurance laws and regulations. If, following completion of the follow up examination, the Department determines that ANTHEM has not timely implemented the corrective actions, the Department may impose a monetary penalty proportional to the identified deficiencies, up to two million dollars (\$2,000,000.00). ANTHEM does not waive its right to contest any such determination through available administrative procedures and the Department does not waive its right to seek additional penalties based on its findings.

26. ANTHEM agrees to and shall pay, within ten (10) business days after receiving an invoice from the California Department of Insurance, Division of Accounting, the amount of fifty thousand dollars (\$50,000.00) to the Department for reimbursement of attorneys fees and costs, pursuant to California Insurance Code §12921, upon written order of the Insurance Commissioner to be made and filed herein and without further notice to ANTHEM.

27. This Stipulation and Waiver will settle and fully resolve the matters alleged or arising out of practices identified in the Market Conduct Reports referenced in paragraphs 5 and 6, the allegations in the Accusation (File No. OSC-2008-00014), and citations in the consumer complaints received for rescission-related alleged acts or failures to act (paragraph 7) that occurred during the respective time periods referenced within such reports and the Accusation.

28. ANTHEM and the Department agree that this Stipulation and Waiver is intended to be a complete and final resolution of the issues and allegations referenced in paragraph 27 above and that no further action will be brought against ANTHEM upon the matters referenced therein; provided, however, that neither this Stipulation and Waiver nor the Order approving this Stipulation and Waiver are in any way intended to limit or waive the Commissioner's authority to bring disciplinary action against ANTHEM for alleged violations of California law arising from

1 rescissions occurring after December 31, 2008 or any other acts or failures to act not referred to in
2 paragraph 27.

3 29. Nothing contained in this Stipulation and Waiver or the Order approving this
4 Stipulation and Waiver shall prevent the Department from taking action at any time to enforce
5 this Stipulation and Waiver or the Order approving this Stipulation and Waiver if ANTHEM is
6 not in compliance with the terms and conditions of the Stipulation and Waiver and/or the Order
7 approving this Stipulation and Waiver.

8 30. The Insurance Commissioner retains jurisdiction to ensure that ANTHEM
9 complies with the provisions and terms of this Stipulation and Waiver and/or Order approving
10 this Stipulation and Waiver and the Insurance Code.

11 31. ANTHEM represents and warrants that the persons executing this Stipulation and
12 Waiver on behalf of ANTHEM are authorized to enter into and execute this Stipulation and
13 Waiver.

14 32. ANTHEM acknowledges that California Insurance Code §12921 requires the
15 Insurance Commissioner to approve the final settlement of this matter. Both the settlement terms
16 and conditions contained herein and the acceptance of those terms and conditions are contingent
17 upon the Commissioner's approval.

18 33. This Stipulation and Waiver is a compromise within the meaning of California
19 Evidence Code §§1152 and 1154.

20
21 Dated: February 9, 2009

ANTHEM BLUE CROSS LIFE AND HEALTH
INSURANCE COMPANY

Signed: 

Name: Keith Evans

Title: Vice President and General Manager,
Individual, West Region.

24
25
26 Dated: February 9, 2009

CALIFORNIA DEPARTMENT OF INSURANCE

27
28 By: 

ANDREA ROSEN
Staff Counsel

CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION

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Attorneys for The California Department of Insurance

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA
SACRAMENTO**

In the Matter of the Certificate of
Authority of:

File No. OSC- 2008-00014

**ANTHEM BLUE CROSS LIFE AND
HEALTH INSURANCE COMPANY**

ORDER

Respondent.

WHEREAS, on or about February 9, 2009, the Insurance Commissioner (hereafter
"Commissioner") served upon ANTHEM BLUE CROSS LIFE AND HEALTH INSURANCE
COMPANY (hereafter "ANTHEM") an Order to Show Cause, Notice of Hearing, Notice of
Monetary Penalty and Accusation/Statement of Charges, referred to as "In the Matter of the
Certificate of Authority of: ANTHEM BLUE CROSS LIFE AND HEALTH INSURANCE
COMPANY, Respondent, File No.OSC-2008-00014" (hereafter "Accusation"). Said Accusation
is incorporated herein by reference and alleged that ANTHEM engaged in acts or practices in
violation of California Insurance Code §§790.03, 796.04, 10380, 10382 and 10384; and,

WHEREAS, Respondent has executed a Stipulation and Waiver in which it waived its
rights to a hearing in this matter, and any and all other rights which may be accorded pursuant to
the provisions of the California Administrative Procedure Act (Government Code §§11500-

1 11528) and the California Insurance Code, and has stipulated to the entry of this Order. This
2 Stipulation and Waiver is incorporated herein by reference.

3 GOOD CAUSE APPEARING,

4 IT IS HEREBY ORDERED that ANTHEM shall Cease and Desist from engaging in acts
5 or practices in the business of disability insurance in violation of California Insurance Code
6 Sections 790.03, 796.04, 10113, 10380, 10381.5, 10382 and 10384.

7 IT IS FURTHER ORDERED that ANTHEM shall pay, within twenty (20) business days
8 of receipt of an invoice from the Department of Insurance, a monetary penalty in the amount of
9 one million dollars (\$1,000,000.00) pursuant to California Insurance Code §§790.035 and 12976
10 in settlement of the Accusation.

11 IT IS FURTHER ORDERED that ANTHEM shall offer to each FORMER INSURED, as
12 defined in the Stipulation and Waiver, a written offer of health insurance coverage going forward
13 as more fully described in the Stipulation and Waiver.

14 IT IS FURTHER ORDERED that ANTHEM shall offer to reimburse each FORMER
15 INSURED for past medical expenses, or hold them harmless from those medical expenses,
16 incurred during the Settlement Period which runs from the effective date of the original rescinded
17 health insurance policy to the confirmed date of delivery of THE NOTICE which extends
18 ANTHEM'S offers to the FORMER INSUREDS as more fully described in the Stipulation and
19 Waiver. ANTHEM shall deliver THE NOTICE at their expense.

20 IT IS FURTHER ORDERED that ANTHEM shall submit a corrective action proposal to
21 the Department to address improvements to its application form and health history questionnaire,
22 the underwriting process, the training and integration of the agent/broker involvement in the
23 application and underwriting process, the notification to policyholders and providers of a
24 rescission investigation and decision, the rescission claims handling process, internal audits of the
25 rescission process and internal audits of the claims handling process and shall work with the
26 Department to accomplish such corrective actions, as more fully described in the Stipulation and
27 Waiver.

28

1 IT IS FURTHER ORDERED that ANTHEM shall complete implementation of the
2 actions contained in the corrective action proposal or required by the Department as part of the
3 corrective action plan, as more fully described in the Stipulation and Waiver. Upon completion of
4 the follow-up examination by the Department, if the Department determines that ANTHEM has
5 failed to substantially and timely implement the corrective actions required by the Department,
6 the Department may impose a monetary penalty of up to two million dollars (\$2,000,000.00) as
7 more fully described in the Stipulation and Waiver.

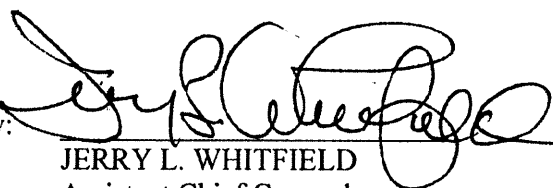
8 IT IS FURTHER ORDERED that ANTHEM shall pay, within ten (10) business days after
9 receiving an invoice from the California Department of Insurance, the amount of fifty thousand
10 dollars (\$50,000.00) to the Department for reimbursement of attorneys fees and costs, pursuant to
11 California Insurance Code §12921.

12 IT IS FURTHER ORDERED that this Order shall become effective immediately upon the
13 date set forth below.

14 IN WITNESS WHEREOF, I have set my hand and affixed my official seal, this 10th day
15 of February, 2009.

16
17
18 STEVE POIZNER
Insurance Commissioner

19
20
21 By:


22 JERRY L. WHITFIELD
23 Assistant Chief Counsel
24
25
26
27
28

In the Matter of the Certificate of Authority)
of:)

DECLARATION OF SERVICE
BY U.S. MAIL

ANTHEM BLUE CROSS LIFE AND)
HEALTH INSURANCE COMPANY)

FILE NO. OSC-2008-00014

Respondent.

I am over the age of 18 years, and not a party to this cause.

I am an employee at the Department of Insurance, State of California, employed at 300 Capitol Mall, Suite #1700, Legal Division, Sacramento, CA., 95814.

On February 10, 2009, at Sacramento, California, I sealed into an envelope and deposited in the U.S. Mail, postage there upon fully prepaid, true copies of the following documents in the above-entitled matter; the original, or a true copy, of each document served is attached hereto; said copies were addressed as follows:

c: ORDER, STIPULATION AND WAIVER, and DECLARATION OF
SERVICE BY U.S. MAIL were mailed to:

U.S. CERTIFIED MAIL

7006 0100 0004 5739 0701

Karen Francolini

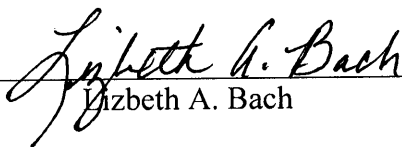
Managing Associate General Counsel

Anthem Blue Cross Life and Health Insurance

21555 Oxnard Street

Woodland Hills, CA 91367

I declare under penalty of perjury that the foregoing is true and correct.
Executed on February 10, 2009, at Sacramento, California.


Elizabeth A. Bach